and its engineer to schedule the completion and submission of these studies.

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§ 1737.31 Area Coverage Survey (ACS).

(a) The Area Coverage Survey (ACS) is a market forecast of service requirements of subscribers in a proposed service area.

(b) The objective of the ACS is to determine the location, number and telephone service requirements of subscribers in a service area. RUS will use the ACS to appraise the proposed plan for area coverage and to determine the largest practical number of rural subscribers which can be served on an economically feasible basis. Preparation of the ACS requires:

(1) A field survey of the service area to locate and identify on maps all business and residential establishments, whether currently served or not. The location and identification of future establishments are also recorded on the maps.

(2) A forecast of the number of telephone subscribers, in the entire service area, by exchange, grade and class of service, projected for the end of the 5-year study period.

(c) The results of the survey and forecast shall be:

(1) Shown on maps (maps for those service areas previously financed by RUS do not have to be included in the ACS provided that the borrower's records contain sufficient information as to subscriber development to enable cost estimates for the proposed facilities to be prepared);

(2) Tabulated on RUS Form 569 ''Area Coverage Survey Report,'' or its equivalent; and

(3) supported by a narrative (see § 1737.32(f)(1)(ii)) containing information on the bases for the service requirement forecasts in each exchange.

(d) Guidelines on preparing an ACS are provided in RUS Telecommunications Engineering and Construction Manual section 205.

(e) The RUS field representative reviews and approves the borrower's ACS. The borrower should make sure this is done before proceeding with the Loan Design in order to prevent unnecessary expense should the ACS not be approved. The borrower's engineer must use the RUS-approved ACS in preparing the Loan Design.

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§ 1737.32 Loan Design (LD).

(a) A loan application requires supporting data collectively called a ''Loan Design.'' The LD contains a forecast of service requirements and a narrative with supporting exhibits. Most of the items included in the LD are similar for all loan applications. However, as noted below, there are certain additional requirements for initial loans and for any exchange areas not previously financed by RUS, and other additional requirements for subsequent loans for areas previously financed by RUS. The LD must conform to the borrower's state telecommunications modernization plan unless the borrower is seeking a guaranteed loan (for additional information concerning the plan, see 7 CFR part 1751, subpart B).

(b) Because of the importance and complexity of the engineering studies necessary for the LD, it should be prepared by a competent experienced telecommunications engineer. While the LD is subject to RUS approval, the borrower's selection of an engineer to perform preloan work is not. Note: The borrower's selection of an engineer to perform postloan work *is* subject to RUS approval. This should be considered when selecting a preloan engineer, if the same individual or company is to perform both services. See 7 CFR 1753.17.

(c) An LD for initial loans or for any exchange areas not previously financed by RUS requires an Outside Plant Design that provides:

(1) The most economical and practical design for a telephone system that meets immediate service demands; and

(2) The basis for orderly expansion of the system to serve the widest practical number of rural establishments.

(d) The LD for a subsequent loan (which only includes areas previously financed by RUS) does not require a detailed Outside Plant Design. The detailed Outside Plant Design for these subsequent loans may be completed for

RUS review and approval after loan approval, but before staking is started and plans and specifications are prepared. By scheduling preparation of the outside plant design closer to preparation for construction, the need for redesign resulting from changing conditions and its attendant costs are reduced.

(e) Guidelines on preparing an LD are provided in RUS Telecommunications Engineering and Construction Manual section 205.

(f) The LD shall include a narrative, several exhibits, and a certification, as explained below:

(1) *Narrative.* This section discusses the following topics, as appropriate.

(i) *General.* The purposes and amount of the proposed construction and both immediate and long range plans must be covered. The source and amount of any nonloan funds to be used for this construction must be discussed.

(ii) *Subscriber data.* The basis for the subscriber forecast, including any unusual factors expected to influence growth, must be discussed. Reasons for growth projections which vary from historic trends must be explained.

(iii) *Proposed construction.* All proposed construction must be described fully. Reference to the BER must be made here.

(iv) *Service area.* For subsequent loans only, proposed construction which is not within the boundaries of prior loan projects must be discussed. New areas to be served (even if from existing exchanges) must be shown on maps submitted with the proposal.

(v) *Toll and EAS.* Proposed new toll or extended area service (EAS) facilities, including any changes from the existing trunking arrangements, must be described fully. Minutes of meetings and correspondence with connecting companies, and connecting company concurrences, if any, must be included.

(vi) *Radio telephone service.* Proposed radio telephone service must be discussed. Results of studies demonstrating demand and/or need most be included as an exhibit.

(vii) *Special projects.* Facilities involving investment in excess of $100,000 for any single subscriber must be discussed fully. Contractual arrangements with the subscriber, including a termination agreement providing for (A) the full recovery by the borrower of its capital costs of the facilities no later than the maturity date of the note representing the loan, (B) the immediate repayment of all remaining capital costs, if terminated, and (C) repayment to RUS of the outstanding amount of the special note shall be submitted. Usually a separate short-term note is prepared for loans to finance Special Projects.

(viii) *Investment in nonrural areas.*(A) For initial loans, or loans for areas not previously financed by RUS, the borrower must fully discuss proposed improvements or expansions in an exchange serving a community over 5,000 population. The name of the community, the number of existing and projected new subscribers by grades of service within the community, detailed cost estimates of the facilities involved, and information sufficient to establish the necessity for the use of loan funds must be provided.

(B) For subsequent loans, the borrower must fully discuss as specified in paragraph (f)(1)(viii)(A) of this section proposed improvements or expansions in an exchange serving a community over 5,000 population which had a population of more than 5,000 at the time the facilities to serve the community were first financed by RUS. The population determination is based on the corporate limits or boundaries of unincorporated areas in existence at the time the facilities to serve the community were first financed by RUS.

(C) For subsequent loans, the borrower shall state whether the population of a community, which is currently more than 5,000, was considered rural at the time RUS first financed the facilities to serve the community. Detailed cost estimates are not required if the population was considered rural at the time RUS first financed facilities to serve the community, see 7 CFR 1735.13(d).

(ix) *Prior loan project.* For subsequent loans only, the reason for and amount of additional loan funds needed to complete construction in progress which was part of a prior loan project in central office areas not included in the current LD must be discussed fully.

(x) *Route miles.* Route miles of outside plant in central office areas not shown on RUS Form 495 must be provided.

(xi) *Future plans.* Where the loan application is to finance part of a system-wide upgrading plan, plans for those remaining exchanges not included in the current loan proposal must be discussed.

(2) *Exhibits.* (i) An RUS Form 569, ''Area Coverage Survey Report,'' or its equivalent shall be included for the total system and for each exchange in which system improvements or additions are proposed.

(ii) An RUS Form 495, ''Construction Cost Estimates,'' or its equivalent shall be prepared for each exchange in which system improvements or additions are proposed. An explanation of the method used in developing these cost estimates must be included.

(iii) RUS Form 494, ''Loan Design Summary,'' or its equivalent shall be prepared for each loan. This must show all expected 5-year construction costs, loan and nonloan.

(iv) A schematic trunking diagram shall be included showing the number and type, length, ownership and make-up of existing and proposed toll and EAS trunks, plus transmission and traffic data for each trunk group.

(v) Detailed outside plant design maps must be submitted for all central office areas of initial loan applicants and for areas not previously served by existing borrowers or financed by RUS. These design maps must be in sufficient detail to substantiate the construction cost estimates.

(vi) For subsequent loans only, if a change in system boundaries is proposed, a map must be furnished showing present and proposed boundaries, and existing establishments and subscribers in the new areas.

(vii) Any other special exhibits needed to support particular items in the loan proposal must be included.

(3) *Certification*. The following certification shall be signed by a principal of the engineering firm and the borrower:

We, the undersigned, certify that the data in this Loan Design are correct to the best of our knowledge and belief and reasonably reflect the cost to serve the subscribers as proposed on the Forms 569, ''Area Coverage Survey Report,'' which are integral parts hereof, and that this Loan Design adheres to RUS engineering and construction standards and practices.

(g) The RUS field representative shall review and make a recommendation on each LD.

(1) After completion of the LD, the borrower arranges a meeting with its engineer and RUS's field representative to review:

(i) Design and cost estimates.

(ii) Reserves available from prior loans, if any, or internally generated funds which may be applied against the requirements of the current application.

(2) One copy of RUS Form 567, ''Checklist for Review of Loan Design,'' completed and signed by the borrower's engineer must be attached to the LD submitted to the RUS field representative.

(3) The RUS field representative recommends acceptance of the LD as the basis for RUS financing.

(4) Three copies of the final LD with the RUS field representative's recommendation are then sent to the relevant Area Office in RUS. A fourth copy is retained by the RUS field representative.

(5) A transmittal letter from the borrower must accompany the LDs, requesting that the application previously submitted be amended so as to be consistent with the approved LD.

(6) Final approval of the LD is given by the relevant Area Office in RUS. To be approved, the LD must be cost effective, include appropriate technology, and provide area coverage.

(7) Upon receipt of the LD and any other required information, RUS makes a preliminary analysis of the loan proposal. Before final consideration of the loan, RUS reviews the results of its preliminary analysis with the borrower.

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